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PAGE 01 STATE 056121

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ORIGIN AF-03

INFO OCT-01 ISO-00 /004 R

66011

DRAFTED BY: AF/S:RSHERMAN

APPROVED BY: AF/S:RTHAVERKAMP

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P 082107Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI PRIORITY

C O N F I D E N T I A L STATE 056121

PLEASE PASS AMBASSADOR DE PREE

FOLLOWING REPEAT MAPUTO 216 ACTION SECSTATE INFO

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C O N F I D E N T I A L MAPUTO 0216

CAPE TOWN FOR EMBASSY

DEPT PLSE PASS AMBASSADOR DE PREE

E.O. 11652: GDS

TAGS: PFOR ECON MZ RH

SUBJECT: IMPACT OF RHODESIAN SANCTIONS ON MOZAMBIQUE ECONOMY

1. SUMMARY: HISTORICAL DEVELOPMENT OF SOUTHERN RHODESIA AND MOZAMBIQUE ECONOMIES HAVE RENDERED THEM MUTUALLY INTERDEPENDENT IN SEVERAL CRITICAL AREAS: RAIL AND PORT OUTLETS FOR RHODESIA; FOOD FOR MOZAMBIQUEV MIGRANT LABOR FOR RHODESIA; AND ELECTRICAL POWER FOR RHODESIA. WHILE AFTER APRIL 1974 COUP IN PORTUGUAL RHODESIAN GOVERNMENT HAS TRIED TO EASE ITS DEPENDENCY ON MOZAMBIQUE, LINKS STILL EXIST. MOZAMBIQUE GOVERNMENT'S DECISION TO SEVER CONNECTION IN COMPLIANCE WITH UN AND OAU ECONOMIC
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SANCTIONS WILL COST BOTH GOVERNMENTS CONSIDERABLY. COST TO MOZAMBIQUE OF IMPOSING SANCTIONS LIKELY TO TOTAL CLOSE TO US \$40 MILLION ANNUALLY. THIS FIGURE DERIVED PRINCIPALLY FROM MONIES EARNED BY MOZAMBIQUE RAILROAD AND HARBORS ADMINISTRATION (CFM) MOZAMBIQUE LIKELY TO SUFFER SIGNIFICANT UNEMPLOYMENT BECAUSE OF THE LOSS OF JOBS IN PORT CITIES OF MAPUTO AND BEIRA, TERMINAL POINTS FOR RHODESIAN GOODS, AND IN THE NUMEROUS SMALL TOWNS THAT SIT ASTRIDE THE RAILROAD LINES AND EXIST BECAUSE OF IT. IN ADDITION, BORDER CLOSURES WILL HAVE IMPACT ON SHIPMENTS OF SOUTH AFRICAN GOODS TO ZAMBIA AND MALAWI, PRINCIPALLY. FOLLOWING IS SECTOR BY SECTOR ANALYSIS OF THE ECONOMIC LOSS AND DISRUPTION TO THE MOZAMBIQUE ECONOMY THAT SANCTIONS WILL CAUSE.

END SUMMARY

2. RAIL AND PORT LINKS: SUSPENSION OF RAIL COMMUNICATIONS WITH SOUTHERN RHODESIA WILL RESULT IN THE GREATEST MONETARY LOSS TO MOZAMBIQUE GOVERNMENT. RAIL TRAFFIC WITH RHODESIA IS MOZAMBIQUE'S LEADING "INVISIBLE" EARNER OF FOREIGN EXCHANGE; IN 1973, APPROXIMATELY 57 PER CENT OF MOZAMBIQUE'S GROSS ANNUAL REVENUE FROM RAIL TRAFFIC WAS DERIVED FROM LINKS WITH RHODESIA AND RAIL FEES ALONE ACCOUNTED FOR \$32 MILLION. IN TERMS OF VOLUME, 18 PER CENT (ABOUT 3.5 MILLION TONS) OF THE RAILWAY FREIGHT TONNAGE IN TRANSIT THROUGH MOZAMBIQUE IS ACCOUNTED FOR BY RHODESIAN EXPORTS AND IMPORTS, MOSTLY EXPORTS. RHODESIAN COMMODITIES, MOSTLY MAIZE, ASBESTOS, FERRO-CHROM AND TOBACCO, ACCOUNTS ON AN ANNUAL BASIS FOR 25 PER CENT OF THE TONNAGE TRAFFIC ON THE MAPUTO-MALVEGNIA LINE AND UPWARDS OF 40 PER CENT ON THE BEIRA LINE. 1975 AND 1974 PORT TONNAGES FIGURES (REPORTED MAPUTO 072) INDICATED A SLIGHT SLIPPAGE FROM 1973 HIGHS, BUT WE DO NOT KNOW HOW MUCH OF THIS SLIPPAGE MAY HAVE BEEN DUE TO CHANGES IN RHODESIAN CARGOES.

IN ADDITION, THE RHODESIAN-MOZAMBIKAN RAIL LINKS HAVE BEEN USED TO TRANSHIP MALAWI-DESTINED FREIGHT FROM SOUTH AFRICA TO MALAWI AND TO TRANSHIP ZAIREAN COPPER FROM ZAIRE TO MAPUTO VIA RHODESIA (ONE SOURCE ALLEGED THAT APPROXIMATELY 18,000 TONS OF ZAIREAN COPPER PER MONTH ARRIVED IN MAPUTO FOR EXPORT). THE IMPACT OF THE BORDER CLOSING ON MOZAMBIQUE PORTS IS MIXED BUT SEVERE. IN BEIRA, RHODESIAN TRAFFIC ACCOUNTED FOR LESS THAN 20 PER CENT OF PORT TONNAGE, MOSTLY CHROME ORE, ACCORDING TO A PORT SOURCE. WE HAVE NO FIGURES ON MAPUTO PORT, BUT 75 PER CENT OF PORT TONNAGE DEALT WITH CARGOES FROM AND TO POINTS OUTSIDE MOZAMBIQUE, AND

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A LARGE PER CENTAGE OF THIS WAS RHODESIAN. RHODESIAN EXPORTS FROM MAPUTO INCLUDED FERRO-CHROME, CHROME ORE, ASBESTOS, AND FOOD-STUFFS. PORT SOURCES IN MAPUTO PREDICT THAT THERE WILL BE CONSIDERABLY FEWER SHIPS CALLING AT MAPUTO AS A RESULT OF THE BORDER SEALING. IN ADDITION TO LOSS OF PORT REVENUES, A LARGE NUMBER OF PORT AND FREIGHT SERVICES WORKERS WILL BECOME REDUNDANT IN MAPUTO AND A SMALLER NUMBER IN BEIRA. A FURTHER RAIL PROBLEM

ARISES: MOZAMBIQUE AND RHODESIAN RAILWAYS TRADITIONALLY MAINTAINED A POOL SYSTEM FOR RAILROAD ROLLING STOCK. WE ASSUME THAT AS OF THE BORDER CLOSING EACH SIDE WILL TAKE OVER THE OTHER'S ROLLING STOCK ON ITS TERRITORY, BUT AS YET WE CANNOT DETERMINE WHICH SIDE COMES OUT AHEAD ON THIS. ONE SOURCE INDICATED THAT RHODESIA IS TWO MONTHS BEHIND IN PAYMENTS OF RAIL AND PORT FEES, AMOUNTING PERHAPS TO US\$5.5 MILLION. THIS IS OF COURSE NOT LIKELY TO BE PAID.

3. MOZAMBIQUE MIGRANT LABOR IN RHODESIA: IN 1965 THERE WERE 129,500 MOZAMBIKAN AFRICAN MIGRANT LABORERS IN RHODESIA OF WHO 7,000 WERE MINeworkERS. MOZAMBIQUE BENEFITTED FROM THE REMITTANCES OF THIS MIGRANT LABOR TO RHODESIA AS WELL AS FROM THE DEFERRED SALARIES (60 PER CENT OF GROSS EARNINGS- SIMILAR TO THE ARRANGEMENT WITH SOUTH AFRICA OVER THE MINE- WORKERS THERE) PAID TO THE LABORERS UPON RETURN TO MOZAMBIQUE. WHILE THE TOTAL NUMBER OF THESE WORKERS HAS LIKELY DECREASED SINCE 1965 IT IS STILL CONSIDERABLE. ONE SOURCE CLOSE TO GPRM ADVISED RECENTLY THAT GPRM HELD SIGNIFICANT HOLDINGS OF RHODESIAN DOLLARS (R\$441,000 IN 1972) FROM THIS ARRANGEMENT AND WAS USING THESE FUNDS TO PURCHASE RHODESIAN FOODSTUFFS.

4. SALES OF ELECTRICAL POWER TO RHODESIA; MOZAMBIQUE RECEIVED SUBSTANTIAL REVENUE FROM THE SUPPLY OF SHER POWER GENERATED IN VILA PEREIRA AND SOLD TO THE RHODESIAN UMTALI ELECTRICITY SUPPLY COMMISSION. THIS ALSO WILL PRESUMABLY BE LOST. IN 1972 SHER SUPPLIED 95.5 MILLION KWH TO RHODESIA UNDER A LONG-TERM SUPPLY CONTRACT. IN 1964 THE FIGURE WAS 155.6 MILLION KWH VALUED AT 56.7 MILLION ESCUDOS (ABOUT \$2.3 MILLION). MOZAMBIQUE MAY NOW DIVERT THIS POWER TO MAPUTO REPLACE SOUTH AFRICAN ESCOM POWER WHICH SUPPLIES MAPUTO (THERE IS NO LOCAL DEMAND IN VILA PEREIRA).

5. IMPACT OF SANCTIONS ON MOZAMBIQUE EMPLOYMENT: A TOTAL OF ABOUT 160,000 MOZAMBIKANS ARE EMPLOYED IN PORT AND RAILWAY OPERATIONS IN MOZAMBIQUE, AND 28 PER CENT OF THE MAPUTO POPU-
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LATION HAS BEEN DESCRIBED BY ONE SOURCE IN 1973 AS DERIVING A DIRECT OR INDIRECT BENEFIT FROM WAGES PAID MOZAMBIQUE HARBORS AND RAILWAYS. THERE WILL LIKELY BE A SIGNIFICANT REDUCTION IN THE MAPUTO RAILWAY AND HARBOR WORKFORCE WITH A CONCOMITANT RISE IN SOCIAL AND ECONOMIC TENSION. IN HIS ADDRESS ON CLOSING THE BORDER PRESIDENT MACHEL RECOGNIZED THIS PROBABILITY BUT STRESSED THAT UNEMPLOYED SHOULD BE HELPED TO FORM COMMUNAL VILLAGES AND BEGIN AGRICULTURAL PRODUCTION, A SOLUTION BOUND TO BE UNPOPULAR.

6 DIRECT MOZAMBIQUE PURCHASES OF RHODESIAN GOODS: MOZAMBIQUE HAS TRADITIONALLY PURCHASED FOODSTUFFS FROM RHODESIA, PARTICULARLY DURING MOZAMBIQUE RAINY SEASONS WHEN INTERNAL DISTRIBUTION WAS DISRUPTED. THESE PURCHASES REPORTEDLY HAVE INCREASED SINCE

INDEPENDENCE. ONE SOURCE REPORTED THAT MOZAMBIQUE HAS RECENTLY PURCHASED 30,000 ONS OF CORE, NOT ALL OF WHICH HAS BEEN DELIVERED. ADDITIONALLY, SOME 600 TONS OF MEAT WAS PURCHASED IN DECEMBER, AS WELL AS A SHIPMENT OF CHICKENS. THE CURRENT ACUTE FOOD SHORTAGES THROUGHOUT ALL OF MOZAMBIQUE WILL BE AFFECTED BY LOSS OF THIS SOURCE, AND SHORTAGES ARE LIKELY TO BECOME EVEN MORE SEVERE IN MID-YEAR DUE TO FLOODING CAUSED BY RECENT HEAVY RAINS IN CENTRAL AND SOUTHER MOZAMBIQUE. THIS SITUATION TO BE SUBJECT SEPTEL.

7 EFFECT ON NEIGHBORING COUNTRIES: BORDER CLOSURES WILL AFFECT SHIPMENT OF GOODS ORIGINATING SOUTH AFRICA DESTINED FOR MALAWI AND ZAMBIA. PORT SOURCE INDICATED THAT BOTH MALAWI AND ZAMBIA CURRENTLY PURCHASE LARGE QUANTITIES OF FERTILIZER FROM SOUTH AFRICA. THIS FERTILIZER WAS SHIPPED REGULARLY IN SMALL QUANTITIES THROUGH RHODESIAN RAIL SYSTEM, THEN TO BEIRA, THEN NORTH TO MALAWI, WHERE IT WAS TRANSHIPPED. SOURCE STATED THAT ANY OTHER METHOD OF SHIPPING WOULD MAKE COST PROHIBITIVE, ESPECIALLY FOR ZAMBIA.

8. ABILITY OF SOUTH AFRICAN SYSTEM TO HANDLE INCREASED RHODESIAN TRAFFIC: PORT SOURCE SAID THAT MOST OF CARGO THAT COULD BE PROFITABLY DIVERTED FROM MOZAMBIKAN PORTS ALREADY HAS BEEN, THAT MAJORITY OF RHODESIAN CARGO THROUGH MOZAMBIQUE WAS "BULK CARGO." SOURCE SAID THAT THIS CARGO COULD NOT BE DIVERTED, EITHER BECAUSE SOME PORT FACILITIES ARE LACKING IN SOUTH AFRICAN, OR BECAUSE INCREASED COST IN SHIPPING LONGER DISTANCES TO SA PORTS WOULD BE UNPROFITABLE. OPINION OF SOURCE WAS THAT BEITHRIDGE
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ROUTE IS OF STATUS OF SPUR LINE, AND WILL NOT REPEAT NOT BE ABLE TO HANDLE LARGE INCREASES IN TRAFFIC. ADDITIONALLY, SOURCE STATED CURRENTLY ONLY SMALL PORTION OF RHODESIAN IMPORTS TRANSITS MOZAMBIQUE'S PORTS.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC TRENDS, EMBARGOES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE056121
Document Source: CORE
Document Unique ID: 00
Drafter: AF/S:RSHERMAN
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: D760088-0194
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197603111/aaaagfpz.tel
Line Count: 212
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Office: ORIGIN AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2004 by BoyleJA>; APPROVED <31 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 970922
Subject: IMPACT OF RHODESIAN SANCTIONS ON MOZAMBIQUE ECONOMY
TAGS: ECON, MZ, RH, PFOR
To: NAIROBI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006